



Testimony
Elizabeth Gara, Executive Director
Connecticut Water Works Association (CWWA)
Before the Energy & Public Utilities Committee
March 1, 2016

RE: SUPPORT - [SB-212](#) - AN ACT EXEMPTING WATER COMPANIES FROM THE SALES AND USE TAX

The imposition of the sales tax on purchases of private water companies imposes an unfair burden on the customers and communities served by the private water companies. Taxes and other additional costs incurred by private water companies are reflected in customer rates, creating disparities between the rates paid by private water customers and customers of municipalities or regional water utilities.

In 1993, the legislature's Program Review & Investigations Committee conducted a study of water company regulation, including issues resulting in rate variability between private investor-owned utilities and municipal and regional water utilities. The study concluded that "In general, private water companies have additional costs that public suppliers do not. Private water companies pay local, state and federal taxes not paid by their municipal counterparts."

Private water companies are also subject to a number of legal and operational requirements that increase the cost of doing business including requirements to comply with certain local, state and federal requirements that do not apply to municipal and regional water companies, such as permit and fee requirements of state agencies and local boards and commissions.

To help address the disparity and reduce the burden placed on customers of private water companies, in 1994 the legislature exempted private water companies from the sales tax on goods and service they purchase.

In the final days of the 2015 legislative session, a provision was added to the budget implementer to repeal the sales tax exemption for private water companies. As it stands now, the same service provided by vendors or contractors in the delivery of water are taxed if provided to a private company but exempt if provided to a municipality or regional water utility.

This creates administrative challenges and triggers additional costs on private water company customers. SB-212 seeks to remedy this inequity by restoring the sales tax exemption.

Thank you for your consideration.